

**COMMISSION OF INQUIRY
INTO MONEY LAUNDERING IN BRITISH COLUMBIA**

**REPLY TO GAMING SUBMISSIONS
OF THE GOVERNMENT OF CANADA**

ATTORNEY GENERAL OF CANADA

**Per: BJ Wray
Hanna Davis
Olivia French
Katherine Shelley
Dorian Simonneaux
Ashley Gardner**

Department of Justice
B.C. Regional Office
900 – 840 Howe Street
Vancouver, BC V6Z 2S9

Tel: 604-666-0110
Fax: 604-666-1585
Email: bj.wray@justice.gc.ca
hanna.davis@justice.gc.ca
olivia.french@justice.gc.ca
katherine.shelley@justice.gc.ca
dorian.simonneaux@justice.gc.ca
ashley.gardner@justice.gc.ca

Counsel for the Government of Canada

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As used herein, the following terms shall be defined as follows:

TERM	DEFINITION
2015 NIRA	2015 National Inherent Risk Assessment
ACE	Anti-Money Laundering Action, Coordination and Enforcement
AML	Anti-Money Laundering
AMP	Administrative Monetary Penalties
ATF	Anti-Terrorist Financing
ATM	Automated Teller Machine
BCFSA	BC Financial Services Authority
BCLC	British Columbia Lottery Corporation
BCREA	British Columbia Real Estate Association
BCSC	British Columbia Securities Commission
BC	British Columbia
Canada	Government of Canada
CARM	CBSA Assessment and Revenue Management
CBCA	Canada Business Corporations Act
CBSA	Canada Border Services Agency
CFO	Civil Forfeitures Office
CFSEU	Combined Forces Special Enforcement Unit
CIF	Counter Illicit Finance Initiative
CIFA-BC	Counter Illicit Finance Alliance
CISBC/YT	Criminal Intelligence Service British Columbia and Yukon Territory
CISC	Criminal Intelligence Service Canada
CMAA	Customs Mutual Assistance Agreements
CMHC	Canada Mortgage and Housing Corporation
CPA	Chartered Professional Accountant
CRA	Canada Revenue Agency
CREA	Canadian Real Estate Association
CROPS	Criminal Operations
CSIS	Canadian Security Intelligence Service

TERM	DEFINITION
DOJ	Department of Justice
DRAP	Deficit Reduction Action Plan
FAMG	Forensic Accounting Management Group
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FC3	Financial Crime Coordination Centre
Federal Regime	Canada's AML/ATF regime
FINTRAC	Financial Transactions and Reports Analysis Centre of Canada
FIU	Financial Intelligence Units
FLSC	Federation of Law Societies Canada
FRFI	Federally Regulated Financial Institutions
FSOC	Federal Serious and Organized Crime
GAC	Global Affairs Canada
GCGC	Great Canadian Gaming Corporation
GDP	Gross Domestic Product
GIG	Gaming Integrity Group
GIU	Gaming Intelligence and Investigation Unit
GIU	Gaming Intelligence Unit
GPEB	Gaming Policy and Enforcement Branch
IIGET	Integrated Illegal Gaming Enforcement Team
IMET	Integrated Market Enforcement Team
IMLIT	Integrated Money Laundering Investigative Team
IPOC	Integrated Proceeds of Crime
ISED	Innovation, Science and Economic Development Canada
JIGIT	Joint Illegal Gaming Investigation Team
LCTR	Large Cash Transaction Report
ML	Money Laundering
MOU	Memorandum of Understanding
MSB	Money Services Businesses
NCIE	National Criminal Intelligence Estimate

TERM	DEFINITION
NHQ	National Headquarters
OCG	Organized Crime Group
OIC	Officer in Charge
OSFI	Office of the Superintendent of Financial Institutions
PCMLTFA	<i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act, S.C. 2000, c. 17</i>
PCMLTF Regulations	<i>Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations, SOR/2002-184</i>
PCMLTF STR Regulations	<i>Proceeds of Crime (Money Laundering) and Terrorist Financing Suspicious Transaction Reporting Regulations, SOR/2001-317</i>
POC	Proceeds of Crime
PPSC	Public Prosecution Service of Canada
PS	Public Safety
PSB	Policing and Security Branch
PSPC	Public Services and Procurement of Canada
PSSG	Public Safety and Solicitor General
PTEP	Provincial Tactical Enforcement Priority Program
RCMP	Royal Canadian Mounted Police
SBML	Service Based Money Laundering
SCC	Supreme Court of Canada
SIU	Sensitive Investigations Unit
SPMD	Seized Property Management Directorate
SROI	Social Return On Investment
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TF	Terrorist Financing
TNOC	Transnational Organized Crime
TOR	Terms of Reference
VIR	Voluntary Information Records
WLATM	White Label Automated Teller Machine

OVERVIEW

1. Set out below is Canada's response to the closing submissions of the following gaming sector participants: the Attorney General of British Columbia ("AGBC"); British Columbia Lottery Corporation ("BCLC"); Brad Desmarais; Gateway Casinos & Entertainment ("Gateway"); Great Canadian Gaming Corporation ("GCGC"); Robert Kroeker; James Lightbody; and, Leonard Meilleur. Canada's response addresses some of these participants collectively since they raise common issues.
2. Canada's Closing Submissions, including Canada's submissions with respect to the gaming portion of the Commission's hearings, were provided to the Commission on July 9, 2021. On July 30, 2021, Canada provided the Commission with its response to the closing submissions of the non-gaming sector participants. The closing submissions of the gaming sector participants were delayed as a result of additional testimony by gaming witnesses in early September 2021. Canada has now received and reviewed all of the gaming sector closing submissions and provides the present submissions in response.
3. The lack of an express response to every gaming participant or to every assertion made by the gaming participants in respect of federal entities should not be interpreted as Canada's agreement with the facts set out in those submissions. Rather, it indicates Canada's assessment that they do not require a formal response other than what is set out in Canada's Closing Submissions.

A. ATTORNEY GENERAL OF BRITISH COLUMBIA

4. Paragraph 2 of the AGBC's Gaming Submissions notes that the Gaming Policy and Enforcement Branch ("GPEB") and BCLC agree that active engagement from law enforcement is necessary to ensure the disruption of organized crime and the deterrence of money laundering ("ML") in British Columbia ("BC") casinos. The Royal Canadian Mounted Police's ("RCMP") past and ongoing engagement ML, as well as the broader context in which that engagement has occurred, has already been outlined in Canada's Closing Submissions and Reply Submissions. Additional evidence regarding the RCMP's specific ML engagement in the gaming sector is set out below.

5. It is important to understand that "active engagement from law enforcement" is subject to the information provided by GPEB and BCLC. The Commission has heard evidence about the manner in which information about suspicious cash in casinos was and is generally provided to the RCMP. Significantly, BCLC investigators who work on-site at casinos do not share information regarding suspicious cash with police in real-time, even when they are aware that a patron is under investigation by police, unless police have specifically made a request.¹ This means that law enforcement is often the last to know when an incident has progressed from a regulatory infraction to a criminal offence.² Additionally, in order to take enforcement action relating to the use of suspicious funds, the police must turn any information received into useful, actionable intelligence,³ and then attempt to determine the source of those funds to establish whether they are linked to illegal activity by taking the subsequent investigative steps necessary for these complex investigations.⁴

6. Due to the inherent complexity of ML investigations, the investigative steps themselves are more complex and resource-intensive than many other types of

¹ Transcript of D. Tottenham, November 4, 2020 [**"Tottenham Transcript #1"**] [at 42:2-19](#).

² Ex. 575: Overview Report: Briefing Documents, Briefing Notes, Issues Notes and Similar Documents Related to Suspicious Cash Transactions and Money Laundering in British Columbia Casinos_Redacted, Appendix 173 [at 4](#).

³ Canada Closing Submissions, para 212.

⁴ Transcript of Supt. B. Taylor, April 16, 2021 [**"Taylor Transcript"**] [at 59:14-23](#); Canada Closing Submissions, paras 212-223.

investigations, including drug investigations.⁵ ML investigations can be multi-million-dollar investments, requiring senior RCMP managers to continually assess and compare the viability, sustainability, and costs of a current investigation versus other files that are continually emerging.⁶ Investigators are also required to respond to external controls on information in order to obtain the necessary approvals set out in regulatory controls, privacy legislation, and the relevant case law.⁷

7. Paragraph 46 of the AGBC's Gaming Submissions indicates that Fred Pinnock, then Officer in Charge ("OIC") of the Integrated Illegal Gaming Enforcement Team ("IIGET"), disregarded a December 2006 direction of the IIGET Consultative Board by focusing on a high-level gaming target. For clarity, Mr. Pinnock testified that he focused on this high-level gaming target during 2006 and that his decision conflicted with a direction from the Board to focus primarily on mid-level targets.⁸ His testimony regarding the Board's lack of support for the high-level investigation was contradicted by Wayne Holland,⁹ who succeeded Mr. Pinnock as OIC of IIGET, as well as the November 2007 effectiveness review of IIGET conducted by Catherine Tait.¹⁰ Ms. Tait's review explains that the Board endorsed the high-level investigation in principle at an April 2006 meeting, before directing IIGET to re-focus its resources on mid-level targets at the next Board meeting in December 2006.¹¹ A July 2007 IIGET status report confirmed that IIGET had re-focused on mid-level targets after the Board's December 2006 direction.¹²

8. Paragraph 52 of the AGBC's Gaming Submissions summarizes testimony from Kevin Begg, former ADM and Director of Police Services, regarding his belief that Minister Coleman's decision to disband IIGET did not create a law enforcement gap as the police of local jurisdiction could take on the types of investigations IIGET was created to address. In

⁵ Ex. 821: A Resourcing Overview of Major Money Laundering Investigations in BC [**Resourcing Overview**] [at 1](#).

⁶ Ex. 821: Resourcing Overview [at 3](#).

⁷ Ex. 821: Resourcing Overview [at 3](#).

⁸ Transcript of F. Pinnock, November 5, 2020 [**Pinnock Transcript**] [at 57:14-25](#).

⁹ Transcript of W. Holland, December 2, 2020 [**Holland Transcript**] [at 107:10 to 108:15](#).

¹⁰ Ex. 77: Overview Report – Integrated Illegal Gaming Enforcement Team [**OR – IIGET**] Appendix C [at 29](#).

¹¹ Ex. 77: OR – IIGET, Appendix C [at 29](#).

¹² Ex. 315: IIGET Status Report – IIGET Consultative Board Meeting – July 25, 2007 [at 2](#).

contrast, Mr. Holland prepared a business case seeking to expand IIGET’s resources, in which he explained to the IIGET Consultative Board that disbanding IIGET would permit mid- and high-level targets to conduct illegal operations with impunity as there were no other trained, competent police personnel who could take on IIGET’s role.¹³ Mr. Holland testified that police of local jurisdiction had “neither the infrastructure, the equipment, the training or the time” to tackle the issues IIGET was designed to address.¹⁴ This sentiment was echoed by members of the Abbotsford and New Westminster Police Departments who testified as part of a municipal policing panel.¹⁵

B. BRITISH COLUMBIA LOTTERY CORPORATION AND AFFILIATED GAMING PARTICIPANTS

9. The following portion of Canada’s submissions jointly addresses the closing submissions of BCLC, Mr. Lightbody, Mr. Desmarais, and Mr. Kroeker (the “BCLC Participants”). The submissions of Gateway and GCGC (the “Service Providers”) and Mr. Meilleur will also be addressed to the extent they relate to the same topic areas. The closing submissions of the BCLC Participants broadly cover the same issues with respect to federal entities and, as such, will be addressed together, by topic.

i.) BCLC FINTRAC Reporting and Compliance Examinations

10. At paragraph 38 of BCLC’s submissions, BCLC states that the reporting obligations the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (“PCMLTFA”) established for BCLC in the early 2000s required BCLC to submit suspicious transaction reports (“STR”s) according to “prescribed” indicators, and large cash transaction reports (“LCTR”s). For clarity, while BCLC and other casino reporting entities were initially only required to submit STRs and LCTRs, their reporting obligations have expanded. Currently, in addition to STRs and LCTRs, reporting entities in the casino sector must also submit reports related to terrorist property, electronic funds transfers, casino disbursements, and

¹³ Ex. 77: OR – IIGET, Appendix S [at 10](#).

¹⁴ Holland Transcript [at 124:5 to 126:6](#).

¹⁵ Transcript of the Municipal Policing Panel, March 30, 2021, [at 22:19 to 24:3](#) and [29:25 to 31:22](#).

virtual currency.¹⁶ In addition, while the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) provides guidance to casino reporting entities to assist them in detecting and reporting suspicious transactions, ML and terrorist activity financing indicators are not defined prescriptively in either the PCMLTFA or any related regulations.¹⁷

11. At paragraph 33 of his submissions, Mr. Kroeker indicates that FINTRAC “remained satisfied with BCLC’s performance with respect to AML” throughout Mr. Kroeker’s tenure, and that “BCLC continually met or beat federal requirements and contemporaneous industry standards.” FINTRAC conducted two compliance examinations of BCLC during Mr. Kroeker’s tenure.¹⁸ As a result of these examinations, FINTRAC did provide feedback regarding BCLC’s improvement in its compliance efforts, and the progress BCLC had made in monitoring transactions.¹⁹ Both examinations also identified deficiencies in BCLC’s anti-money laundering (“AML”) performance, as set out below.

12. During the first examination, in 2016, FINTRAC determined that BCLC’s AML training program was inadequate given the size and nature of BCLC’s business operations.²⁰ FINTRAC found that 24% of the casino staff interviewed at River Rock, Starlight Casino, and Edgewater Casino demonstrated limited knowledge of ML and terrorist financing relevant to the casino sector.²¹ For staff at the River Rock, specifically, 80% demonstrated this limited knowledge.²² During the second examination, in 2018, FINTRAC acknowledged that BCLC had addressed the training program deficiency identified in the 2016 examination.²³ However, FINTRAC identified four new deficiencies that represented non-compliance.²⁴ Those deficiencies included suspicious transactions and large casino disbursements that were not reported to FINTRAC, inadequate reporting of casino patrons’

¹⁶ Canada Closing Submissions, para 87.

¹⁷ Money laundering and terrorist financing indicators – Casinos, online: <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/indicators-indicateurs/casinos/mltf-eng>.

¹⁸ Ex. 490: Affidavit #1 of Robert Kroeker, sworn on January 15, 2021 [**Kroeker Affidavit #1**] [at para 248](#).

¹⁹ Ex. 490: Kroeker Affidavit #1, Ex. 145 [at 1](#), Ex. 146 [at 2](#).

²⁰ Ex. 490: Kroeker Affidavit #1, Ex. 145 [at 1](#).

²¹ Ex. 490: Kroeker Affidavit #1, Ex. 145 [at 2](#).

²² Ex. 490: Kroeker Affidavit #1, Ex. 145 [at 2](#).

²³ Ex. 490: Kroeker Affidavit #1, Ex. 146 [at 2](#).

²⁴ Ex. 490: Kroeker Affidavit #1, Ex. 146 [at 2](#), [4](#), [18](#), [19](#), [21](#).

occupations on large cash transaction and large casino disbursement reports, and inadequate enhanced monitoring and assessment of risk for high risk patrons.²⁵

ii.) RCMP Gaming Law Enforcement Pre-2009

13. At paragraph 15 of his closing submissions, Mr. Lightbody cites the German Report for the proposition that “[p]rior to 2015, ‘[t]he RCMP ... were not present in the casino world.’”²⁶ Additionally, Gateway submits that prior to 2017, “opportunities for meaningful collaboration between law enforcement and industry partners (including service providers) did not exist”.²⁷ These statements are not accurate and require clarification. Below is a brief summary of evidence regarding these activities in the pre-2009 period. Later periods will be addressed in subsequent sections. Additional information on enforcement activities is set out in Canada’s Closing Submissions.

14. Prior to 2009, police of jurisdiction and IIGET were the primary RCMP units responsible for responding to issues arising in legal gaming facilities. In 2004, the River Rock Casino Resort opened in Richmond, BC, which led to the Richmond RCMP detachment receiving significantly more crime-related calls compared to the volume received for the previous Richmond casino.²⁸ However, even before the River Rock opened, the Richmond RCMP identified loan sharking activity at the Richmond casino, investigated that activity as part of their day-to-day business, and, in some cases, asked the casino to bar individuals who were known by police to act as loan sharks.²⁹

15. By 2005, the Richmond RCMP was gathering intelligence and receiving briefings on criminal activity at the River Rock, including ML and loan sharking activity.³⁰ The Richmond

²⁵ Ex. 490: Kroeker Affidavit #1, Ex. 146 [at 4](#), [18](#), [19](#), [21](#).

²⁶ James (Jim) Lightbody [**“Lightbody”**] Closing Submissions, para 15.

²⁷ Gateway Casinos & Entertainment Limited [**“Gateway”**] Closing Submissions, para 62.

²⁸ Transcript of W. Clapham, October 27, 2020 [**“Clapham Transcript #1”**], [at 150:5-12](#); [Ex. 95: Calls for Service – Site-Specific – The Great Canadian Casino and River Rock](#).

²⁹ Clapham Transcript #1 [at 130:8 to 131:9](#); Ex. 503: Overview Report 1998-2001 BCLC Security Incident Reports Related to Loan Sharking, Money Laundering and Suspicious Transactions in British Columbia Casinos, [Appendix C](#), Appendix J [at 141](#), Appendix L [at 169](#) and [178](#), and Appendix R [at 276](#).

³⁰ Clapham Transcript #1 [at 134:18 to 136:7](#).

RCMP would sometimes work in partnership with IIGET and the federal RCMP AML or commercial crime sections to investigate these reports.³¹ In addition, the Richmond RCMP conducted uniformed patrols in and around the River Rock as part of a larger strategy of deterring the open exchange of large quantities of money and other potential offences.³²

16. The City of Richmond rejected two proposals that Ward Clapham, the OIC of the Richmond RCMP detachment from 2001-2008, put forward for funding to establish a casino crime unit within the Richmond RCMP detachment that would specifically focus on crime related to the River Rock.³³ In a December 2006 memorandum to the City of Richmond, Mr. Clapham ranked the need for a casino crime unit as the third of twelve Richmond RCMP priorities.³⁴ The only priorities ranked above the casino crime unit were the Integrated Homicide Investigation Team, which was a mandated priority, and the need for additional front-line policing constables to ensure there was a sufficient number of officers to respond to 911 calls.³⁵

17. IIGET also contributed to enforcement activities related to legal gaming venues, but the RCMP understood that additional resources would be needed to tackle complex investigations like those into ML.³⁶

18. Several gaming participants overstate issues with respect to IIGET's mandate. For example, Gateway relies solely on the testimony of Fred Pinnock, former OIC of IIGET, to indicate that IIGET "suffered from confusion surrounding its mandate to police inside legal casinos."³⁷ Similarly, Mr. Meilleur relies on the testimony of Mr. Pinnock in their submission that the Joint Illegal Gaming Investigation Team ("JIGIT") has a mandate to conduct

³¹ Clapham Transcript #1 [at 136:8 to 137:2](#).

³² Clapham Transcript #1 [at 137:3 to 141:4](#).

³³ Clapham Transcript #1 [at 143:21 to 144:22](#), [161:4 to 162:25](#); Ex. 101: RCMP Memorandum to City of Richmond – December 11, 2006 [**"RCMP Memorandum"**] [at 2-4](#); Transcript of W. Clapham, October 28, 2020 [**"Clapham Transcript #2"**] [at 12:7-14](#).

³⁴ [Ex. 101: RCMP Memorandum](#).

³⁵ Clapham Transcript [at 161:4 to 162:25](#); Ex. 101: RCMP Memorandum [at 2-4](#).

³⁶ Transcript of T. Robertson, November 6, 2020 [**"Robertson Transcript"**] [at 49:5-18](#); Holland Transcript [at 104:12 to 105:12](#).

³⁷ Gateway Closing Submissions, para 62.

investigations inside casinos, whereas IIGET did not.³⁸ However, in addition to Mr. Pinnock, the Commission heard evidence from two other former OICs of IIGET, both of whom testified as to their understanding that IIGET's mandate did include investigating unlawful activities within legal gaming venues.³⁹

19. In fact, the RCMP members of IIGET were involved in a loansharking investigation at the River Rock in February 2005.⁴⁰ IIGET investigators interviewed a number of people regarding ML, and met with the RCMP's Integrated Proceeds of Crime ("IPOC") unit to discuss the investigation.⁴¹ The suspected loan shark who was the subject of this IIGET investigation ultimately consented to a \$200,000 forfeiture to the Provincial Crown.⁴²

20. As a result of IIGET's involvement in this River Rock investigation, Tom Robertson, the OIC of IIGET at that time, became aware that Larry Vander Graaf, the Director of GPEB, did not agree that IIGET's mandate included investigations in legal gaming venues.⁴³ Mr. Vander Graaf affirmed in testimony that he believed that IIGET's mandate was to focus on illegal gaming rather than legal gaming, though he acknowledged the RCMP's power to investigate illegal activity in any venue.⁴⁴ Similarly, Joe Schalk, who was a regional manager at GPEB's Burnaby investigation division under Larry Vander Graaf, and former provincial Minister Rich Coleman testified as to their belief that IIGET's mandate did not include investigations in legal gaming venues.⁴⁵ Both Mr. Robertson and his successor, Fred Pinnock, confirmed that GPEB did not refer any information about illegal activities in legal gaming venues to IIGET during their respective tenures as OICs of that unit.⁴⁶

³⁸ Retired Gaming Policy Enforcement Branch (GPEB) Executive Director of Compliance Leonard Meilleur ["**Meilleur**"] Closing Submissions, para 21.

³⁹ Robertson Transcript [at 37:13 to 38:2](#) and [39:8 to 40:3](#); Holland Transcript [at 104:12-19](#).

⁴⁰ Ex. 165: Email from Donald Smith, Re IIGET File 05-661 Loansharking Investigation – February 25, 2005 _ Redacted (CAN-000094) ["**Email from Donald Smith**"].

⁴¹ Robertson Transcript at [53:13 to 55:8](#) and [110:8-21](#).

⁴² [Ex. 157: S/Sgt F Pinnock – IIGET Performance Report for the IIGET Consultative Board – July 23, 2007](#).

⁴³ [Ex. 165: Email from Donald Smith](#).

⁴⁴ Transcript of L. Vander Graaf, November 12, 2020 [at 37:25 to 41:13](#).

⁴⁵ Transcript of J. Schalk, January 22, 2021 ["**Schalk Transcript**"] [at 124:10 to 126:13](#); Transcript of R. Coleman, April 28, 2021 ["**Coleman Transcript**"] [at 40:20 to 41:19](#).

⁴⁶ Robertson Transcript [at 83:22 to 84:9](#) and [109:5-16](#); Pinnock Transcript [at 93:4-8](#).

21. Both the Richmond RCMP detachment and IIGET worked with industry partners, including BCLC and the River Rock. In or around 2006-2007, the Richmond RCMP detachment and IIGET participated in a working group that was created to target loan sharks and other organized criminal activity related to gambling. That working group included IIGET, BCLC, and the River Rock.⁴⁷ The working group continued to meet until at least 2010.⁴⁸ Loan sharking and ML were a topic of conversation at these working group meetings from early on.⁴⁹ During working group meetings, police would share information with BCLC regarding individuals BCLC suspected to be involved in crime.⁵⁰

22. Mr. Meilleur submits that IIGET had only 6 RCMP members attached to it.⁵¹ This is only accurate for IIGET's first year of operations. From 2004 on, this commitment increased to 12 members.⁵² Prior to IIGET's disbandment by the Province, the RCMP anticipated the unit would double in size, and RCMP staffing had committed to prioritizing the staffing of IIGET.⁵³ The OIC of IIGET at that time believed that these additional resources could be used in furtherance of high-level investigations, including investigations into ML in legal casinos, and he understood that his superiors within the RCMP held similar views.⁵⁴

iii.) RCMP Gaming Law Enforcement Post-2009

23. Additional factual information is provided below in order to ensure the Commissioner has a more complete picture of IPOC and law enforcement activities in relation to casinos between 2009 to 2015. During these years, IPOC and then Federal Serious and Organized Crime ("FSOC") actively investigated ML and associated illegal activity in legal gaming facilities in BC.⁵⁵ These investigations were conducted in accordance with the established

⁴⁷ [Ex. 158: Undated memo detailing IIGET and BCLC working group to target loan sharks and other organized criminal activity \(CAN-000107\)](#); Pinnock Transcript [at 90:19 to 92:7](#).

⁴⁸ Transcript of G. Friesen, October 28, 2020 [**Friesen Transcript**] [at 35:3-14](#) and [52:3-11](#).

⁴⁹ Friesen Transcript [at 52:12-22](#).

⁵⁰ Friesen Transcript [at 54:13 to 55:8](#).

⁵¹ Meilleur Closing Submissions, para 18.

⁵² Ex. 77: OR – IIGET [at 1](#); see also Canada Closing Submissions, para 159.

⁵³ Holland Transcript [at 143:14 to 145:24](#) and [at 106:13-22](#).

⁵⁴ Holland Transcript [at 104:12 to 105:12](#) and [129:9 to 131:13](#).

⁵⁵ See, e.g. Transcript of M. Hiller, November 9, 2020 [at 34:17 to 36:15](#).

mandates of each unit and subject to the institutional prioritization and resourcing restrictions of the RCMP.

24. Several gaming participants refer to the 2010-2013 IPOC preliminary investigation into ML in BC's casinos (the "Casino Probe").⁵⁶ Paragraphs 153-158 of Canada's Closing Submissions provide an overview of the structure of IPOC and the Casino Probe. In brief, there were two teams with express ML mandates within IPOC: C22 and the Money Laundering Team ("MLT"). Both teams conducted their own investigations of ML and assisted each other if additional resources were required or if the C22 team took on an investigation that was beyond their mandate to investigate cross-border movement of cash and AML.⁵⁷

25. From 2010 to 2012, now retired RCMP officer Calvin Chrustie was the operations officer for IPOC and the C22 and MLT reported to him. Operations Officers oversee and monitor operations, facilitate support and resourcing, and coordinate with international and domestic partners.⁵⁸ Retired RCMP officer Barry Baxter was the OIC of IPOC from 2010-2013. The OIC has overall command of their unit, monitors all investigations, and communicates with national headquarters and across criminal operations in BC.⁵⁹ Mr. Baxter was Mr. Chrustie's supervisor at the time.⁶⁰

26. At paragraph 63 of BCLC's closing submissions, BCLC submits that the Casino Probe "simply confirmed intelligence BCLC had provided in its STRs regarding the volume of cash coming into casinos."⁶¹ During the Casino Probe, however, IPOC received and analysed information from a number of sources, including but not limited to FINTRAC, GPEB, and BCLC.⁶² The Casino Probe compiled intelligence on activities occurring in lower

⁵⁶ See, e.g. British Columbia Lottery Corporation ["**BCLC**"] Closing Submissions, paras 47-49 and 63; Gateway Closing Submissions, para 64; Meilleur Closing Submissions, paras 18-20.

⁵⁷ Transcript of CIFA-BC Panel, April 14, 2021 ["**CIFA-BC Panel Transcript**"], testimony of M. Paddon ["**M. Paddon**"] [at 10:9 to 11:21](#).

⁵⁸ Transcript of C. Chrustie, March 29, 2021 ["**Chrustie Transcript**"] [at 38:1-15](#).

⁵⁹ Transcript of B. Baxter, April 8, 2021 ["**Baxter Transcript**"] [at 5:2-9](#).

⁶⁰ Chrustie Transcript [at 43:22 to 44:5](#).

⁶¹ BCLC Closing Submissions, para 63.

⁶² Baxter Transcript [at 43:9 to 44:1](#); Ex. 759: Casino Summary & Proposal – IPOC, December 2011 (CAN-001275) ["**Casino Summary & Proposal**"] [at 1](#).

mainland legal gaming facilities.⁶³ Large buy-ins of hundreds of thousands of dollars in suspicious cash had become commonplace.⁶⁴ The cash was deemed suspicious and likely “dirty money” “both by its appearance and the surrounding circumstances.”⁶⁵ IPOC surveillance identified “‘middle men’ who directly supplied high-roller gamblers with large quantities of cash on short notice in surreptitious locations.”⁶⁶

27. A summary of findings of the Casino Probe is set out in Exhibit 759, which is a December 2011 document authored by IPOC’s Money Laundering Team that outlines the Casino Probe and sets out a proposal for further investigation (the “Casino Summary and Proposal”). The Casino Summary and Proposal recommended that, “[a]t the casino level, a direction has to be taken to decrease their ‘acceptance’ of large and suspicious cash transactions” as that would “most definitely hinder the movement of dirty money through the casinos and will tie the hands of loan sharks”.⁶⁷

28. The Casino Probe fostered working relationships with IPOC, BCLC and GPEB.⁶⁸ While BCLC indicates that there is no evidence to suggest that IPOC informed BCLC of this investigation,⁶⁹ it is clear that the IPOC Money Laundering team met with BCLC and GPEB and discussed subjects of interest related to the investigation.⁷⁰ The Casino Summary and Proposal identified a need for a working group of cross agencies to gather intelligence on suspicious activities in BC’s casinos.⁷¹ This has recently materialized in the form of the Gaming Integrity Group, initiated by JIGIT.⁷²

29. The Casino Summary and Proposal was formalized in the January 2012 Operational Plan, which is Exhibit 760. Operational plans are the first step in requesting funding to work

⁶³ Ex. 759: Casino Summary & Proposal [at 1](#).

⁶⁴ Ex. 759: Casino Summary & Proposal [at 1](#).

⁶⁵ Ex. 760: Casino – Investigational Planning & Report – IPOC, January 30, 2012 (CAN-001274) [**Casino – Investigational Planning & Report**] [at 4](#).

⁶⁶ Ex. 760: Casino – Investigational Planning & Report [at 4](#).

⁶⁷ Ex. 759: Casino Summary & Proposal [at 4](#).

⁶⁸ Ex. 759: Casino Summary & Proposal [at 1](#).

⁶⁹ BCLC Closing Submissions, para 48.

⁷⁰ Ex. 759: Casino Summary & Proposal [at 3](#).

⁷¹ Ex. 759: Casino Summary & Proposal [at 3](#).

⁷² Ex. 809: Slide deck - The Combined Forces Special Enforcement Unit BC JIGIT - April 7, 2021 (CAN-001803) [**CFSEU-JIGIT Presentation**] [at 13](#).

on a project, beyond initial investigation.⁷³ The decision on whether to fund a project is an operational management decision based on a number of factors. Mr. Chrustie described these factors in his testimony as the four pillars:⁷⁴

- a) Public safety implications;
- b) Social harm implications;
- c) National security; and
- d) Financial integrity.

30. Balancing these factors informed complex prioritization and operational decisions. Transnational organized crime (“TNOc”) in the lower mainland of BC escalated in the early 2000s and became a particularly significant threat to the Vancouver area in the late 2000s and early 2010s.⁷⁵ During this time there was unprecedented gang violence fuelled in part by the convergence in Vancouver of the three major TNOc networks: the cartel network, comprised of the Mexican and Columbian cartels; the Middle Eastern networks; and the triads from China and related networks including Vietnamese crime groups.⁷⁶ In addition to the three major TNOc networks, there was also a high level of involvement from Italian organized crime and Outlaw Motorcycle Gangs.⁷⁷ Law enforcement received cartel-related files on a weekly or bi-weekly basis in the early 2010s.⁷⁸

31. Vancouver was attractive to TNOc for a number of reasons. The Port of Vancouver is the fourth largest in North America, making it a significant redistribution hub, especially for Pacific Rim countries.⁷⁹ Vancouver also saw the emergence of numerous encryption companies based out of Vancouver⁸⁰ while the use of encrypted communications is

⁷³ [Ex. 759: Casino Summary & Proposal](#); CIFA-BC Panel Transcript, M. Paddon [at 11:22 to 12:2](#).

⁷⁴ Chrustie Transcript [at 34:21 to 35:5](#).

⁷⁵ Chrustie Transcript [at 12:7 to 13:20](#) and [21:5-9](#).

⁷⁶ Chrustie Transcript [at 15:2 to 16:3](#) and [13:9-17](#); Ex. 757: Transnational Organized Crime – FSOC Major Projects (redacted) (CAN-001117) [“**FSOC Major Projects**”] [at 4](#), [7](#), and [10](#).

⁷⁷ Chrustie Transcript [at 25:1-13](#).

⁷⁸ Chrustie Transcript [at 25:22 to 26:4](#).

⁷⁹ Chrustie Transcript [at 23:3-8](#) and [24:1-13](#).

⁸⁰ Chrustie Transcript [at 21:20 to 22:9](#).

becoming more prevalent within TNOC networks.⁸¹ Demand for high quality cocaine in Canada may also have made Vancouver an attractive hub for TNOC networks.⁸²

32. In addition to the increased violence brought about by TNOC activity in the lower mainland, the Vancouver area had also become a hub for the importation of illegal and dangerous substances including fentanyl, cocaine, and methamphetamines.⁸³ The Commission received evidence regarding the arrests of four individuals linked to Mexican TNOC in 2010 who were importing drugs into BC.⁸⁴ These arrests are one example of the type of work the RCMP was required to do during this period to address TNOC-related threats.

33. Decisions on whether to proceed with an investigation, to seek to charge individuals in Canada, or to charge individuals with ML instead of only the predicate offence could have related public safety and social harm consequences. As Mr. Chrustie testified, “[i]f I allowed the person and focused on charging them in Canada, quite often that would mean that I would almost have to allow the continuation of the offence, i.e., the importation of drugs.”⁸⁵ RCMP management made decisions based on public safety and social harm perspectives, among other factors, which meant at times prioritizing keeping “the networks as far as possible away from us and to keep the products away from the vulnerable people in society” over pursuing a criminal conviction in Canada or for ML in addition to a predicate offence.⁸⁶

34. Mr. Chrustie testified that in 2010 then Chief Superintendent of the RCMP Mark Flemming directed Mr. Chrustie to facilitate and support IPOC teams to be more proactive, more global, and to target higher-level networks.⁸⁷ Mr. Chrustie noted that prioritization

⁸¹ Ex. 757: FSOC Major Projects [at 5](#).

⁸² Chrustie Transcript [at 23:3-22](#).

⁸³ Chrustie Transcript [at 35:6-24](#).

⁸⁴ Ex. 757: FSOC Major Projects [at 7](#). Note: information regarding additional TNOC files has been redacted from this exhibit as disclosing it would jeopardize ongoing investigations.

⁸⁵ Chrustie Transcript [at 35:12-16](#).

⁸⁶ Chrustie Transcript [at 35:19 to 36:4](#).

⁸⁷ Chrustie Transcript [at 42:9-18](#).

decisions always required a cost/benefit analysis because RCMP funding and resources are finite.⁸⁸

35. Mr. Chrustie also explained the particular limitations of the Casino Probe. During the preliminary investigation, while investigators concurred that suspicious cash entering BC casinos was “dirty money”, they were unable to identify any enforcement or disruption opportunities at that time.⁸⁹ At the time investigators submitted their operational plan, they had been unable to establish a link between the suspicious cash flowing into casinos and a predicate offence; there was an intelligence gap.⁹⁰ The Casino Probe operational plan stated: “Although Intelligence gleaned to-date indicates that these ‘bags of cash’ involved in these large buy-ins have their ultimate origin in street-level criminal activity, drawing a concrete link to those activities has thus far been an elusive goal.”⁹¹ The operational plan emphasized, “it is essential to show a definite link to criminal activity” and that this link was missing.⁹²

36. Mr. Chrustie testified that ML investigations such as the Casino Probe “were very demanding, very dynamic, very fluid and very unpredictable.”⁹³ If prioritized, the Casino Probe would have required “shutting down other operations at that time.”⁹⁴ The evidence before the Commissioner demonstrates that the decision not to proceed with the Casino Probe was based on IPOC’s mandate, the four pillars of public safety, social harm, national security and financial integrity, the unit’s practical limitations, the prioritization of other pressing investigations, and on the lack of sufficient actionable intelligence for the project itself. As noted above, the decision was also made in the context of serious and escalating TNOG activity in the lower mainland and in the context of IPOC’s involvement in international investigations

⁸⁸ Chrustie Transcript [at 39:2 to 40:18](#).

⁸⁹ Canada Closing Submissions, para 157; [Ex. 823: Media Excerpts: Money Laundering in Casinos – various, 2011 \(BCLC0015750\)](#); Baxter Transcript [at 51:4 to 52:2](#); Chrustie Transcript at [48:3-17](#), [52:9 to 53:12](#) and [119:13 to 120:22](#).

⁹⁰ Chrustie Transcript [at 52:10 to 53:19](#).

⁹¹ Ex. 760: Casino – Investigational Planning & Report [at 3](#).

⁹² Ex. 760: Casino – Investigational Planning & Report [at 3](#).

⁹³ Chrustie Transcript [at 58:15-19](#).

⁹⁴ Chrustie Transcript [at 54:14 to 55:8](#).

iv.) Alleged Gaps in Law Enforcement

37. The BCLC Participants claim that there was a gap in or lack of law enforcement regarding ML in BC's gaming industry between 2012-2015.⁹⁵ Mr. Meilleur makes a similar argument, but claims there was a longer gap in law enforcement within the gaming industry.⁹⁶ These claims are overstated and must be understood in the context of the entirety of the RCMP's law enforcement responsibilities in BC as well as the federal reengineering of the RCMP in 2012. Despite the dissolution of IPOC in 2012, the RCMP remained alive to and actively investigated ML and associated illegal activity in BC. These investigations were conducted in accordance with the established mandates of each unit and subject to the institutional prioritization and resourcing restrictions and realities of the RCMP.

38. As the Commission has heard, from 2012 to 2015, the RCMP underwent a re-engineering of its Federal Policing service and realigned its resources to best allocate funding to national enforcement priorities.⁹⁷ This restructuring was the result of the federal government's Deficit Reduction Action Plan ("DRAP"), meant to implement deficit reduction and cost-saving measures throughout the whole of the federal government.⁹⁸

39. In delivering police services to all three levels of Government in BC, Canada is contractually obligated pursuant to the Police Service Agreements ("PSA") with the province to prioritize, when staff shortages or vacancies arise within the organization, the delivery of Regular Members to the provincial and municipal policing business lines.⁹⁹ This contractual requirement means that any cost saving measures, as seen with DRAP, must be realized exclusively from federal or internal business lines as the number of policing resources

⁹⁵ BCLC Closing Submissions, paras 4, 85, 89, 90; Lightbody Closing Submissions, paras 15-16; Brad Desmarais [**Desmarais**] Closing Submissions, paras 8(g) and 34; Robert Kroeker [**Kroeker**] Closing Submissions, para 28.

⁹⁶ Meilleur Closing Submissions, paras 10, 18-19, 66-67.

⁹⁷ Taylor Transcript [at 19:15-21](#); Ex. 864: Assessment of Proceeds of Crime Responsibilities within FSOC, July 29, 2015 (CAN-001222) [**FSOC Assessment**] [at 12](#).

⁹⁸ Ex. 863: Presentation – Briefing for the Cullen Inquiry, Supt. B. Taylor [**Taylor Presentation**] [at 6](#).

⁹⁹ Ex. 788: Provincial Police Service Agreement, April 2012, Article 5.0 [at 16](#).

dedicated to contract jurisdictions under the PSAs are determined solely by the province and its municipalities.

40. The re-engineering of Federal Policing aimed to cut costs and build an agile, integrated and innovative police service capable of efficiently and effectively addressing operational priorities.¹⁰⁰ The goal was to allow units to draw more quickly on existing capacity at a lower cost.¹⁰¹ This involved streamlining the federal policing program; enhancing information sharing; breaking down traditional silos; removing geographical boundaries; aligning resources to match key operational priorities; and communicating program successes and accomplishments.¹⁰²

41. Supt. Taylor, head of FSOC's Financial Integrity Program within "E" Division, testified about the impact of the DRAP on Federal Policing within BC. Supt. Taylor noted that the DRAP resulted in reduced funding to the RCMP and created staffing shortages.¹⁰³ This was paired with the expectation that existing officers perform fewer services with fewer resources.¹⁰⁴ These difficulties were compounded as they occurred at a time when the cost of policing overall was increasing.¹⁰⁵ As Federal Policing reorganized itself into the FSOC model, E-Division RCMP experienced personnel shortages and could not staff certain available positions due to the cost consequences.¹⁰⁶ Nevertheless, throughout the re-engineering, the RCMP in BC continued to dedicate resources to ML and financial crime investigations, both within the FSOC Financial Integrity groups and the FSOC Major Projects groups.¹⁰⁷

¹⁰⁰ Federal Re-engineering (Synopsis), online: <<https://www.publicsafety.gc.ca/cnt/cntrng-crm/plcng/cnmcs-plcng/ndx/snpss-en.aspx?n=490>>.

¹⁰¹ Re-engineering Federal Policing (synopsis), online: <<https://www.publicsafety.gc.ca/cnt/cntrng-crm/plcng/cnmcs-plcng/ndx/snpss-en.aspx?n=52>>.

¹⁰² Federal Re-engineering (Synopsis), online: <<https://www.publicsafety.gc.ca/cnt/cntrng-crm/plcng/cnmcs-plcng/ndx/snpss-en.aspx?n=490>>.

¹⁰³ Ex. 863: Taylor Presentation [at 6](#).

¹⁰⁴ Ex. 863: Taylor Presentation [at 6](#).

¹⁰⁵ Taylor Transcript [at 19:22-25](#).

¹⁰⁶ Taylor Transcript [at 19:22 to 20:6, 40:14 to 41:17](#); Ex. 863: Taylor Presentation [at 6](#).

¹⁰⁷ Taylor Transcript [at 32:10 to 35:6](#).

42. The RCMP's Financial Integrity Program, a part of FSOC, was established at the beginning of 2013.¹⁰⁸ During the re-engineering, it housed positions specifically intended to address ML and develop ML investigations.¹⁰⁹ It was made up of two distinct operational groups and over time came to include its current specialized market enforcement, sensitive investigations, designated ML, and intelligence units.¹¹⁰

43. Following the re-engineering, the RCMP national headquarters prioritization committee now tiers and assesses FSOC Financial Integrity's ML files.¹¹¹ This ensures that resources are focused on the national mandate and on the highest level of criminal activity.¹¹² The tiering process is described in more detail at paragraph 182 of Canada's closing submissions.

44. Decisions not to proceed with investigations are decisions made based on the viability of the investigation, compatibility with a unit's mandate, availability of resources, the unit's practical limitations, and the prioritization of other pressing investigations of national significance.

45. Mr. Meilleur insinuates that a lack of police presence led to BCLC's alleged "usurpation" and "jurisdictional creep" on GPEB.¹¹³ There is no evidence that the actions or inactions of law enforcement were a cause of any tensions between the two organizations. The evidence before the Commissioner is that BCLC and GPEB struggled independently to define roles and responsibilities, suffered tension due to differences in approaches/perspectives on what constituted ML, and struggled with a clash of

¹⁰⁸ Taylor Transcript [at 35:17 to 36:11](#).

¹⁰⁹ Taylor Transcript [at 39:11 to 41:13](#).

¹¹⁰ Ex. 859: "E" Division Criminal Operations Chart, March 15, 2021 (CAN-001796) [["E-Division Chart"](#)].

¹¹¹ Ex. 868: Presentation – Money Laundering/Proceeds of Crime – RCMP Federal Policing Perspective, April 2021 [["ML/POC Presentation"](#)] [at 4](#).

¹¹² Ex. 863: Taylor Presentation [at 5](#).

¹¹³ Meilleur Closing Submissions, para 36.

personalities in their respective investigations departments for many of the years at issue in this Commission.¹¹⁴

v.) Information Sharing

46. The BCLC Participants and Gateway submit that law enforcement did not communicate clearly to them that the money entering casinos was, or was likely to be, proceeds of crime (“POC”) until 2015.¹¹⁵ This is contradicted by numerous witnesses. For example, in his testimony, Mr. Baxter was asked, “Did you ever communicate to BCLC guess what, guys, this is from organized crime?”. Mr. Baxter responded, “Yes I did. In my meetings with Terry Towns.”¹¹⁶ Additionally, while law enforcement did not have evidence that reached the standard for laying criminal charges until the E-Pirate investigation, Mr. Alderson testified that suspicious cash had been coming into casinos for years and this was not an unknown fact.¹¹⁷ Mr. Dickson of GPEB similarly testified about his 2010 meeting with senior IPOC officers wherein those officers expressed serious concerns that casinos were being used to launder large sums of money.¹¹⁸ These opinions were shared by Mr. Dickson in a letter to Mr. Friesen, Manager at BCLC, dated November 24, 2010.¹¹⁹ As a further example, IPOC contacted BCLC in September 2012 to advise that Paul Jin was being investigated for ML and POC and to request all previous BCLC files relating to him.¹²⁰

47. At paragraphs 68-70 of BCLC’s closing submissions, BCLC describes their frustration with lack of action by Combined Forces Special Enforcement Unit (“CFSEU”) in 2014. Mr. Lightbody and Mr. Desmarais also make submissions regarding BCLC’s

¹¹⁴ Transcript of B. Desmarais, February 1, 2021 [**Desmarais Transcript #1**] [at 155:1-6](#); Ex. 522: Affidavit #1 of B. Desmarais affirmed on January 28, 2021_Redacted [**Desmarais Affidavit #1**] [at paras 82-85](#); Ex. 490: Kroeker Affidavit #1 [at paras 86-95](#); Transcript of R. Alderson, September 10, 2021 [**Alderson Transcript #2**] [at 123:3 to 125:9](#). See also Desmarais Closing Submissions at paras 59-64.

¹¹⁵ Lightbody Closing Submissions, para 21; BCLC Closing Submissions, para 81; Desmarais Closing Submissions, para 44; Gateway Closing Submissions, para 64.

¹¹⁶ Baxter Transcript [at 126:19-21](#).

¹¹⁷ Alderson Transcript #2 [at 157:24 to 158:10](#).

¹¹⁸ Transcript of D. Dickson, January 22, 2021 [**Dickson Transcript**] [at 32:2 to 33:11](#).

¹¹⁹ Ex. 110: Letter from Derek Dickson re Money Laundering in Casinos, November 24, 2010_Redacted (GPBE0169) [at 2-3](#); see also Dickson Transcript [at 30:25 to 35:2](#).

¹²⁰ Ex. 148: Affidavit #1 of Daryl Tottenham, sworn October 30, 2020_Redacted [**Tottenham Affidavit #1**], Ex. 3 at [41](#); Tottenham Transcript #1 [at 32:12 to 33:23](#) and [50:19-23](#).

engagement with CFSEU in 2013-2014.¹²¹ These submissions overlook key aspects of CFSEU's activities during this time period.

48. In April 2014, Mr. Desmarais reached out to the officers in charge of various RCMP detachments in BC seeking two things: (1) that the RCMP/CFSEU-BC provide BCLC with the personal information of individuals on the Provincial Tactical Enforcement Priority Program ("PTEP") list; and (2) that members of the CFSEU Uniform Division act as "first responders" in circumstances where a large amount of funds are believed to be criminally derived and in particular, where the individual in possession of those funds is, or is associated to, a person who is included in the PTEP Program.¹²²

49. With respect to Mr. Desmarais' first request, in January 2014, the RCMP entered into an information sharing agreement with BCLC (the "Provincial ISA").¹²³ Following BCLC's request for information on individuals included in the PTEP program, and in accordance with the Provincial ISA, CFSEU-BC began providing that information to BCLC. Currently, CFSEU provides BCLC with the PTEP roster each year.¹²⁴

50. Information provided by BCLC to law enforcement at any given time was a "beacon" for further investigation.¹²⁵ Most of the evidence gathered for a ML investigation would be outside of the casinos.¹²⁶ The information provided required deeper analysis and cross referencing with law enforcement's intelligence holdings.¹²⁷ Based on that information, the determination on whether to proceed further was made. Decisions on investigative leads, developments, or the initiation or progress of investigations themselves would not necessarily be shared with BCLC or other entities outside of law enforcement. Out of necessity, information sharing agreements with law enforcement are intended to work one

¹²¹ Lightbody Closing Submissions, para 18; Desmarais Closing Submissions, paras 42-43.

¹²² Ex. 522: Desmarais Affidavit #1, Ex. 43, [at 1-2](#); BCLC Closing Submissions, para 68.

¹²³ Ex. 522: Desmarais Affidavit #1, [Ex. 6](#); BCLC Closing Submissions, para 68; Lightbody Closing Submissions, para 17.

¹²⁴ Transcript of JIGIT Panel, April 7, 2021, Session 2 [**"JIGIT Panel Transcript"**], testimony of S/Sgt. J. Hussey [**"J. Hussey"**], [at 43:12-25](#).

¹²⁵ JIGIT Panel Transcript, J. Hussey [at 19:1-20](#).

¹²⁶ JIGIT Panel Transcript, J. Hussey [at 19:9-15](#).

¹²⁷ JIGIT Panel Transcript, J. Hussey [at 21:6-16](#).

way.¹²⁸ There are strongly justifiable reasons why not all information is or should be shared with the public or those outside of law enforcement during an active investigation.¹²⁹

51. With respect to Mr. Desmarais' second request, he did not understand the role of the CFSEU Uniform Division. The Uniform Gang Enforcement Team is a uniformed team within the CFSEU tasked with reducing gang violence in public places through prevention, intervention, and suppression.¹³⁰ The Uniform teams provide a visible law enforcement presence and do not conduct investigations into serious offences such as ML. They do share intelligence with other police agencies.¹³¹

52. Mr. Desmarais did, however, recognize that "CFSEU is overtasked in many respects and the attendance of the Uniform Division members would be subject to other operational priorities."¹³² In his testimony, Mr. Desmarais further confirmed that the CFSEU Uniform Division had many demands on their resources and that did not expect the CFSEU Uniform Division to become exclusive casino security or personal investigators for BCLC.¹³³

vi.) E-Pirate

53. Several participants discuss the E-Pirate investigation in their Closing Submissions.¹³⁴ The following paragraphs provide additional contextual information regarding this investigation in order to ensure the accuracy of the record.

¹²⁸ JIGIT Panel Transcript, J. Hussey [at 28:24 to 29:2](#); Desmarais Transcript #1 [at 93:21 to 94:2](#); Transcript of D. Tottenham, November 5, 2020 [**Tottenham Transcript #2**] [at 32:4 to 33:5](#).

¹²⁹ Desmarais Transcript #1 [at 53:3 to 54:3](#); JIGIT Panel Transcript, J. Hussey [at 44:16 to 46:20](#).

¹³⁰ Uniform Gang Enforcement Team (UGET), online: <https://www.cfseu.bc.ca/about-cfseu-bc/uniform-enforcement-unit/>.

¹³¹ Uniform Gang Enforcement Team (UGET), online: <https://www.cfseu.bc.ca/about-cfseu-bc/uniform-enforcement-unit/>.

¹³² Ex. 522: Desmarais Affidavit #1, Ex. 43 [at 2](#).

¹³³ Transcript of B. Desmarais, February 2, 2021 [**Desmarais Transcript #2**] [at 46:1 to 47:8](#).

¹³⁴ See, e.g. Lightbody Closing Submissions, paras 19-20; Desmarais Closing Submissions, paras 42-46; Meilleur Closing Submissions, paras 23, 29, 31, 47, 67; BCLC Closing Submissions, paras 72-73.

54. In early 2015, FSOC commenced the E-Pirate Investigation.¹³⁵ E-Pirate, like the Casino Probe, surveilled suspected loan sharks operating in and around BC legal gaming facilities and sought to identify the source of their cash, which investigators suspected was illegal.¹³⁶ Unlike the Casino Probe, the E-Pirate investigation was able to identify a specific unlicensed money services business connected to the loan sharks.¹³⁷ This was the missing link in the earlier Casino Probe. The information provided to FSOC in 2015 was actionable intelligence, unlike the information collected by surveillance during the Casino Probe.¹³⁸

55. The E-Pirate investigation launched following a meeting between Mr. Brad Desmarais, then Vice President of Corporate Security and Compliance and Mr. Chrustie, then Superintendent and OIC of the major projects team within FSOC.¹³⁹ Mr. Desmarais provided information to Mr. Chrustie in or around February 2015 about potential loan shark and ML activities in BC legal gaming facilities.¹⁴⁰ Following this meeting, a joint meeting between BCLC and FSOC occurred in or around February 12, 2015.¹⁴¹ Mr. Chrustie, though concerned FSOC would be unable to pursue the information due to capacity constraints, provided the information to a joint force operations unit at FSOC and requested they review the information and determine if there was an opportunity for enforcement or disruption.¹⁴² Mr. Chrustie had a personal friendship with Mr. Desmarais and therefore sought to distance himself from a review of the information to ensure an unbiased perspective.¹⁴³

56. Shortly after FSOC received BCLC's information, surveillance operations confirmed the involvement of "significant players" who were "reported to be moving massive amounts of money."¹⁴⁴ FSOC management mobilized resources to support the E-Pirate investigation,

¹³⁵ Ex. 663: Affidavit of Cpl. Melvin Chizawsky, sworn on February 4, 2021 [**Chizawsky Affidavit**], Ex. A [at para 34](#).

¹³⁶ CIFA-BC Panel Transcript, M. Paddon [at 29:17 to 30:6](#).

¹³⁷ CIFA-BC Panel Transcript, M. Paddon [at 30:2-6](#); Ex. 663: Chizawsky Affidavit, Ex. A [at para 34](#).

¹³⁸ Chrustie Transcript [at 86:11-87:13](#)

¹³⁹ Chrustie Transcript [at 60:2-10](#).

¹⁴⁰ Chrustie Transcript [at 62:10 to 63:7](#); Desmarais Transcript #1 [at 119:15-23](#).

¹⁴¹ Ex. 522: Desmarais Affidavit #1, Ex. 55 [at 1](#).

¹⁴² Chrustie Transcript [at 64:10-19](#) and [64:25 to 65:17](#).

¹⁴³ Chrustie Transcript [at 65:18 to 66:6](#).

¹⁴⁴ Chrustie Transcript [at 67:4-22](#).

and, as Mr. Chrustie described in his testimony, considered the investigation to be addressing “one of the biggest threats ... at the time.”¹⁴⁵

57. Concurrent with the E-Pirate investigation, FSOC had conduct of other files that “were equal to, if not even more concerning than [E-]Pirate ... [which involved] similar type of concerns and posed similar type of ML/transnational organized crime threats”.¹⁴⁶ In addition, RCMP national headquarters set federal policing priorities and required strict accountability processes.¹⁴⁷ Justification was required to sustain and resource operations on a scale such as E-Pirate.¹⁴⁸ However, despite asking “challenging questions” to justify continued resourcing and support for E-Pirate, there was never a threat to E-Pirate’s funding; it was subjected to the same “ongoing competitive priority” process as all files.¹⁴⁹

58. Executions of numerous search warrants in the E-Pirate investigation commenced on October 15, 2015.¹⁵⁰ On October 15, 2015, Ms. Xiaoqi Wei was arrested for ML and possession of property obtained by crime.¹⁵¹ On February 24, 2016, Mr. Paul King Jin was arrested for possession of proceeds of property obtained by crime, laundering POC, keeping a gaming or better house, and betting, pool selling and bookmaking.¹⁵² As a result of the E-Pirate investigation, the money services business, Silver International, was charged.¹⁵³ It is beyond the mandate of this Commission to inquire into prosecutorial discretion regarding these charges.

vii.) Chip Swap

59. At paragraphs 31 and 88, BCLC submits that a planned chip swap was delayed “at the request of law enforcement”. Mr. Desmarais also submits that the chip swap was “cancelled by GPEB, at the request of the police, the night before it was expected to be

¹⁴⁵ Chrustie Transcript [at 162:13 to 163:5](#).

¹⁴⁶ Chrustie Transcript [at 68:2-10](#).

¹⁴⁷ Chrustie Transcript [at 162:13-17](#).

¹⁴⁸ Chrustie Transcript [at 162:17-23](#).

¹⁴⁹ Chrustie Transcript at 194:22 to 195:5; Ex. 821: Resourcing Overview, [at 3](#).

¹⁵⁰ Ex. 663: Chizawsky Affidavit, Ex. A [at para 65](#).

¹⁵¹ Ex. 663: Chizawsky Affidavit, Ex. A [at para 87](#).

¹⁵² Ex. 663: Chizawsky Affidavit, Ex. A [at para 93](#).

¹⁵³ Chrustie Transcript [at 69:5-10](#); Transcript of M. Chizawsky, March 1, 2021 [at 21:15-25](#).

implemented”.¹⁵⁴ The evidence before the Commission demonstrates that while law enforcement requested the delay, they did so on the basis of information provided by GPEB.

60. In the fall of 2014, BCLC investigators noticed that patrons would buy in for large amounts and leave the River Rock casino with their chips without play.¹⁵⁵ By mid-spring 2015, BCLC began planning for a chip swap at the River Rock.¹⁵⁶ The chip swap was originally scheduled to proceed on September 8, 2015 but was suspended and later rescheduled to January 5, 2016.¹⁵⁷

61. While the chip swap was delayed at the request of law enforcement, FSOC was not notified of the impending swap until right before it was to occur.¹⁵⁸ On July 22, 2015, FSOC had asked BCLC, via Mr. Alderson, to continue its information sharing and notify them of any action taken that could impede an ongoing investigation.¹⁵⁹ However, FSOC was ultimately informed of the chip swap when Mr. Meilleur at GPEB mentioned it in passing during a call from Insp. Serr on an unrelated human resources matter.¹⁶⁰ Mr. Meilleur understood the chip swap and its impact only to a “limited degree” and Insp. Serr was not provided with the full context before being prompted to make a last-minute request to delay the swap on behalf of FSOC.¹⁶¹ Mr. Meilleur later learned that if FSOC had known all the details of the chip swap, they might not have requested a delay.¹⁶²

¹⁵⁴ Desmarais Closing Submissions, para 58.

¹⁵⁵ Desmarais Transcript #1 [at 146:20-25](#); Desmarais Transcript #2 [at 57:6-14](#); Ex. 74: Overview Report: 2016 River Rock Casino Chip Swap [“OR – River Rock Chip Swap”] [at para 3](#).

¹⁵⁶ Desmarais Transcript #2 [at 57:15-18](#).

¹⁵⁷ Ex. 74: OR- River Rock Chip Swap [at paras 9-10](#).

¹⁵⁸ Transcript of L. Meilleur, February 12, 2021 [“**Meilleur Transcript #1**”] [at 110:8-10](#).

¹⁵⁹ Ex. 522: Desmarais Affidavit #1, Ex. 55 [at 3](#); Desmarais Transcript #2 [at 59:1-6](#).

¹⁶⁰ Meilleur Transcript #1 [at 109:10 to 110:3](#).

¹⁶¹ Meilleur Transcript #1 [at 109:10 to 110:3](#).

¹⁶² Meilleur Transcript #1 [at 110:4-7](#).

C. GREAT CANADIAN GAMING CORPORATION and GATEWAY CASINOS & ENTERTAINMENT LTD.

62. In addition to the factual clarifications provided above as part of Canada's response to the BCLC participants, Canada offers the following additional information to clarify specific statements made in the submissions of the Service Providers.

63. GCGC's Closing Submissions state that GCGC underwent FINTRAC audits and that these audits (along with audits conducted by BCLC, private sector audit firms, and GPEB) generally confirmed that GCGC met, or exceeded its AML obligations.¹⁶³ For clarity, FINTRAC does not audit GCGC directly. Rather, FINTRAC conducts compliance examinations of reporting entities under the *PCMLTFA*. In BC, BCLC is the reporting entity for the 30 casinos it oversees.¹⁶⁴ FINTRAC follows a cycle-based examination strategy that ensures BCLC is examined every two to five years to assess its compliance with requirements under the *PCMLTFA*.¹⁶⁵ While examination teams may visit or investigate specific casinos as part of the overall compliance examination process, FINTRAC does not make specific findings with respect to the compliance of individual service providers.¹⁶⁶ The results of FINTRAC's 2016 and 2018 compliance examination findings of BCLC are summarized at paragraph 11 of these submissions.

64. At paragraph 12, Gateway suggests that law enforcement officials who testified in the Commission proceedings demonstrated negative attitudes towards the gaming sector and gaming patrons. None of the evidence cited by Gateway in support of this proposition comes from current law enforcement officers. In fact, the only reference to law enforcement evidence is to the testimony of retired RCMP officer, Barry Baxter and his comments are taken out of context.

65. Mr. Baxter's evidence was with respect to high-rollers whom law enforcement believed, as a result of intelligence gathered during the Casino Probe, to have received their

¹⁶³ Great Canadian Gaming Corporation ["**GCGC**"] Closing Submissions, paras 4, 42.

¹⁶⁴ Ex. 1021: Overview Report – Miscellaneous Documents ["**OR - Miscellaneous Documents**"], [Appendix 15 at 16](#).

¹⁶⁵ Ex. 1021: OR – Miscellaneous Documents, [Appendix 15 at 16](#).

¹⁶⁶ Ex. 490: Kroeker Affidavit #1, [Ex. 145](#) and [Ex. 146](#).

money from suspicious or criminal origins. As explained above at paragraphs 25-26, the Casino Probe revealed that “middle men” were supplying high-roller gamblers with large quantities of cash, which was suspicious both by its appearance and the surrounding circumstances. It was in this context that Mr. Baxter expressed some surprise that particular high-roller gamblers were treated as valued patrons by the casinos. Mr. Baxter went on to carefully distinguish between a suspicious transaction and a large cash transaction, emphasizing that it was important to look at the totality of the circumstances surrounding the transaction.¹⁶⁷ At no point did Mr. Baxter express negative attitudes about the casino industry or wealthy gamblers in general, nor did he suggest that all large cash transactions coming into casinos were inherently suspicious.

66. At paragraphs 20-21, GCGC relies on an April 2014 email from Inspector Eric Hall from the Richmond RCMP detachment as confirmation that GCGC was “doing everything they needed to do regarding AML controls”. Similarly, at paragraph 29 of his submissions, Robert Kroeker relies on the same email to suggest that “police approved of GCGC’s approach to AML” during Mr. Kroeker’s tenure as Vice President of GCGC’s Compliance and Legal department. Mr. Kroeker notes that Insp. Hall stated that he did not believe casinos in BC could be used in a sophisticated ML operation with the existing controls in place.¹⁶⁸ For clarity, while Insp. Hall sent this message on behalf of the Richmond RCMP detachment, he could not, nor did he purport to, speak on behalf of the RCMP in its entirety.¹⁶⁹ Relying on Mr. Hall’s message as representative of the RCMP as a whole fails to account for the difference in knowledge and perspective between Municipal, Provincial, and Federal policing and the potential for differing views on this point within the RCMP.

67. Both Gateway and GCGC implicitly critique law enforcement for a lack of direct engagement with service providers and for not providing service providers with unfettered access to sensitive investigative information about POC entering casinos.¹⁷⁰ These critiques

¹⁶⁷ Baxter Transcript [at 51:4 to 54:11](#), [55:6 to 59:7](#).

¹⁶⁸ Kroeker Closing Submissions, para 29; see also Desmarais Closing Submissions, para 14.

¹⁶⁹ Ex. 490: Kroeker Affidavit #1, Ex. 13 [at 1](#).

¹⁷⁰ GCGC Closing Submissions, para 71; Gateway Closing Submissions, paras 50, 64.

are based on a lack of understanding of the relationship between law enforcement and service providers.

68. Gateway relies on the evidence of Barry Baxter to assert that IPOC did not view Service Providers as community partners in the effort to investigate ML and/or POC in casinos. However, Mr. Baxter never suggested that service providers were not important stakeholders and partners in law enforcement investigations of ML and/or POC. Rather, law enforcement was appropriately sensitive to the need to follow appropriate channels of communication, in compliance with federal and provincial privacy legislation. Mr. Baxter testified that it was law enforcement's role to liaise with GPEB and that these discussions would occur on a peace officer to peace officer basis. Law enforcement expected GPEB to communicate concerns directly to service providers as necessary.¹⁷¹ Law enforcement was able to share information directly with BCLC, pursuant to the Provincial ISA. No such agreements exist with service providers.

69. At paragraph 69, GCGC submits that in early 2016 it appeared to GCGC that cash facilitators were not being "adequately dealt with by law enforcement".¹⁷² At paragraph 49, GCGC also describes its May 2016 directive banning buy-ins at RRRCR where there was suspicion the cash had originated with Paul Jin or his associates.¹⁷³ GCGC notes that this was issued prior to the laying of charges for ML or POC offences associated with legal casinos in BC.¹⁷⁴ However, at this point in time, GCGC employees were well aware that Paul King Jin was the subject of police investigations.¹⁷⁵ At paragraph 58 of his affidavit, Patrick Ennis states that it appeared to him in 2015 based on a meeting with BCLC, GPEB and CFSEU "that CFSEU was conducting a sophisticated investigation into Mr. Jin and his associates".¹⁷⁶ On October 15, 2015, Ms. Xiaoqi Wei had been arrested for ML and possession of property obtained by crime.¹⁷⁷ On February 24, 2016 Mr. Jin was arrested for

¹⁷¹ Baxter Transcript [at 139:10-17](#); [148:22-149:17](#).

¹⁷² GCGC Closing Submissions, para 69.

¹⁷³ GCGC Closing Submissions, paras 49, 69.

¹⁷⁴ GCGC Closing Submissions, para 49.

¹⁷⁵ Transcript of P. Ennis, February 3, 2021 [at 147:15 to 147:22](#); Transcript of T. Doyle, February 10, 2021 [at 14:25 to 15:9](#).

¹⁷⁶ Ex. 530: Affidavit # 1 of Patrick Ennis, sworn on January 22, 2021 [at para 58](#).

¹⁷⁷ Ex. 663: Chizawsky Affidavit, Ex. A [at para 87](#).

possession of proceeds of property obtained by crime, laundering POC, keeping a gaming or better house, and betting, pool selling and bookmaking.¹⁷⁸ A timeline of the E-Pirate investigation is found at paragraphs 52 to 57 of these submissions.

CONCLUSION

70. Canada trusts that the factual clarifications set out above are of assistance and provide the Commissioner with a more complete picture of the evidence tendered and testimony given during the course of the Commission's gaming sector proceedings.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated at the City of Vancouver, in the Province of British Columbia, this 12th day of October, 2021.



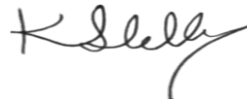
BJ Wray



Hanna Davis



Olivia French



Katherine Shelley



Dorian Simonneaux



Ashley Gardner

Counsel for the Government of Canada

¹⁷⁸ Ex. 663: Chizawsky Affidavit, Ex. A, [at para 93](#).